



# ECONOMIC INDICATORS

MAY - JUNE 1999



## REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California continues to experience robust economic growth. Employment is expanding at a healthy pace and the unemployment rate is at the lowest level since 1990. New construction remains well above last year's pace. Real estate sales and prices are still making impressive gains.

**EMPLOYMENT** The state's employment picture remains bright with rising employment and falling unemployment.

NONFARM  
EMPLOYMENT GROWS  
3.1 PERCENT  
— . . . —

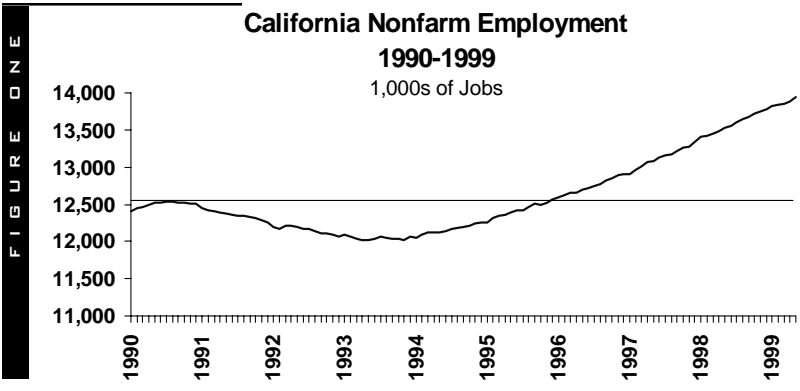
Nonfarm employment continued to grow at a healthy rate in May—3.1 percent year-over-year. More than 412,000 jobs have been created during the preceding 12 months, reaching 13,983,200. The nonfarm figures are based on a large survey of employers.

Services added the most jobs over the year, up almost 218,300—or 5.2 percent—since May 1998. Business services, which includes personnel supply and computer programming firms, led the way, growing by 91,900 jobs or 8.2 percent. Healthy increases in building activity led construction employment to post the fastest growth, advancing 9.8 percent over the year.

On a month-to-month basis, 56,500 jobs were added in May, which is five times the 11,000 jobs added nationally. Half of California's gain was in services, which added 25,700 jobs. The biggest service industry gains were in business services, up 13,200 jobs. After services, both construction and trade employment made strong advances, increasing by 13,400 and 8,400 respectively. The tiny mining industry was the only sector to post a reduction in May employment, losing 200 jobs.

UNEMPLOYMENT  
FALLS TO  
5.2 PERCENT  
— . . . —

The state's unemployment rate, derived from a relatively small survey of households, fell 0.5 percent in May to 5.2 percent—just one percentage point above the national rate. This is the lowest rate since March 1990 and also represents the largest one month drop since 1983. Los Angeles County's rate dropped to 5.5 percent in May from April's 6.3 percent. The number of persons unemployed dropped by 78,000 and the number of job holders rose 46,000. Marin County continues to enjoy the state's lowest unemployment rate, 1.8 percent, followed by San Mateo, Sonoma and Orange counties. There are now 22 counties with unemployment below five percent; seven more than at this time last year. Employment growth is notably strong in much of the San Francisco Bay Area (Silicon Valley is the notable exception) and in the Sacramento, San Diego and Orange County regions. The San Joaquin Valley continues to lag



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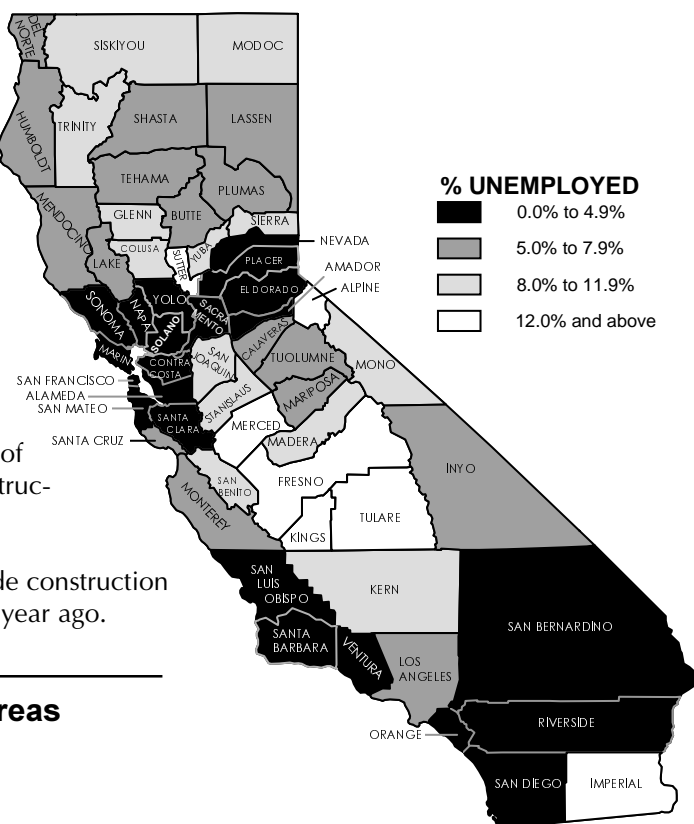
the rest of the state, however, suffering from substantially higher unemployment rates.

Underlying the gains in construction employment, building permit activity remained strong through April. Significant regional disparities are still in evidence, however.

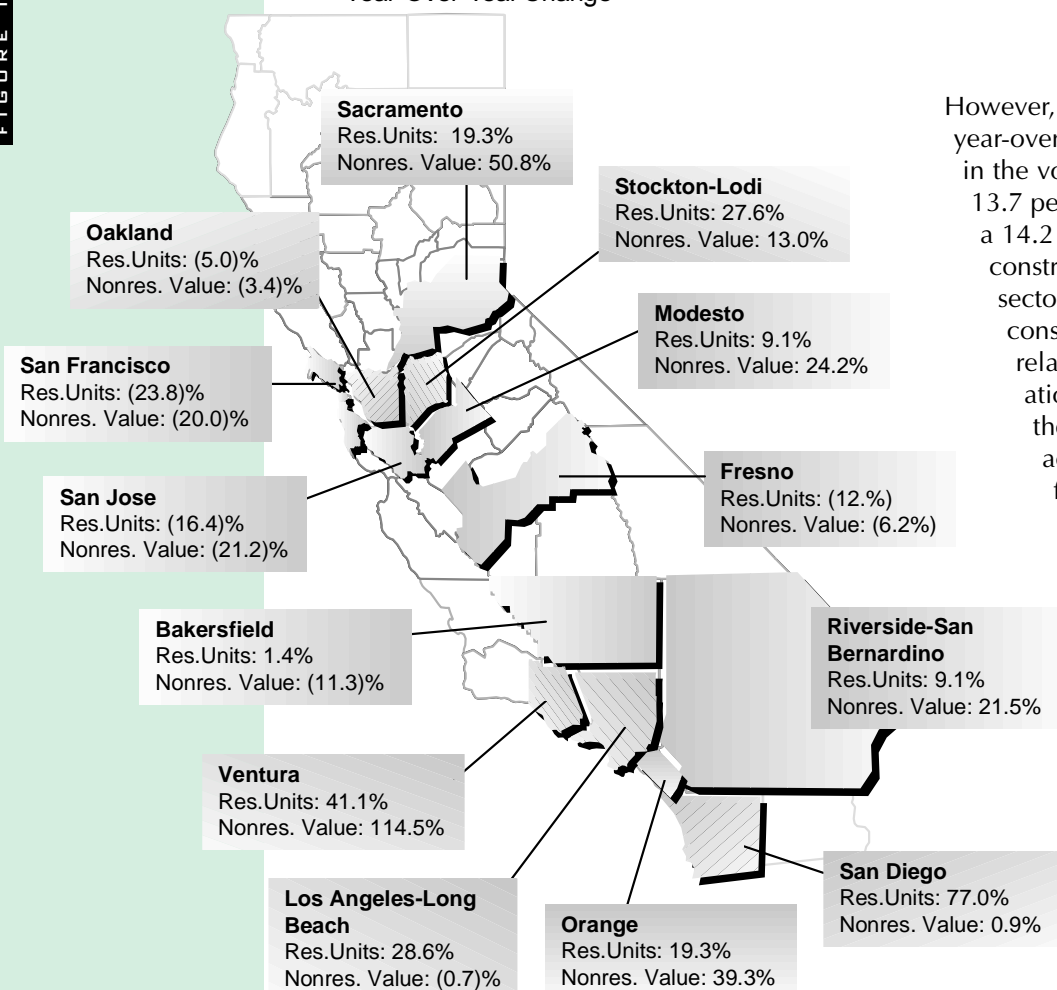
Residential construction, measured by authorized units, accelerated in April, increasing 10.9 percent on a seasonally adjusted annual rate basis. The gain was led by an increase in multi-family permits of almost 19 percent, with single family construction up 8.7 percent over March.

When measured by permit values, statewide construction increased only 2.7 percent in April from a year ago.

**State Rate: 5.2%**



### Year-Over-Year Change



However, this follows a strong 18.5 percent year-over-year gain in March. April's decline in the volatile nonresidential sector—13.7 percent below last April—was offset by a 14.2 percent increase in residential construction. Within the nonresidential sector, industrial building and office construction slowed considerably. The relatively small amusement and recreation and parking garage sectors grew the fastest. Year to date, nonresidential activity is up 11 percent over the first four months of 1998.

Significant regional disparities in construction activities are still present. During the first four months of 1999, Southern California and Sacramento metropolitan areas posted the strongest increases compared to the same time last year. Construction slowed considerably in the San Francisco Bay Area despite vigorous job growth in most parts of the region (see Figure 3).

HOME PRICES LEAP IN  
MARCH

— . . . —

CALIFORNIA  
PERSONAL  
INCOME  
IN 1998

BENEFIT COSTS  
HEAT UP

— . . . —

The California real estate market continues its remarkable performance with robust sales and price gains reflecting a declining inventory of unsold homes and still favorable mortgage rates. Existing single-family home sales in April jumped 7.4 percent above last year's rate following March's 9.3 percent year-over-year gain. Existing homes sold at an annual rate of 660,630 units in April.

Keeping pace with the strong sales growth, the median price of a single-family home jumped 7.9 percent in March, followed by a 2.2 percent rise in April. The April 1999 median price of \$217,090 is 9.5 percent greater than the price set one year earlier. The Silicon Valley (Santa Clara County) and the San Francisco Bay regions continue to post the highest home prices in the state. Santa Clara's median single family home price reached \$397,850 in April, 7.1 percent above a year ago. San Francisco's median price rose 9.8 percent to \$351,170.

California personal income grew 6.6 percent in 1998 to reach a total of \$902.2 billion. This is the fastest annual growth recorded since 1990. Wages and salaries grew by 8.6 percent, which is this component's fastest year-over-year gain since 1987. Wage and salary growth was led by the finance, insurance and real estate (FIRE) and construction industries which advanced 16.5 and 14.5 percent respectively. The continued strength of the stock market and increased mortgage lending and refinancing activities were responsible for rising FIRE income. Construction income growth reflects large gains in building activity last year. Only mining and federal military incomes declined.

**Property income** growth was also slower in 1998, advancing 3.4 percent compared to 1997's 4.9 percent. Dividend income growth was nearly halved in 1998, falling from 5.5 percent in 1997 to only 2.9 percent. On the other hand, proprietor's income growth accelerated in 1998, expanding by 10.4 percent. Nonfarm proprietor's income grew 10.4 percent compared to 6.0 percent in 1997.

FIGURE FOUR

California Personal Income

1997 - 1998

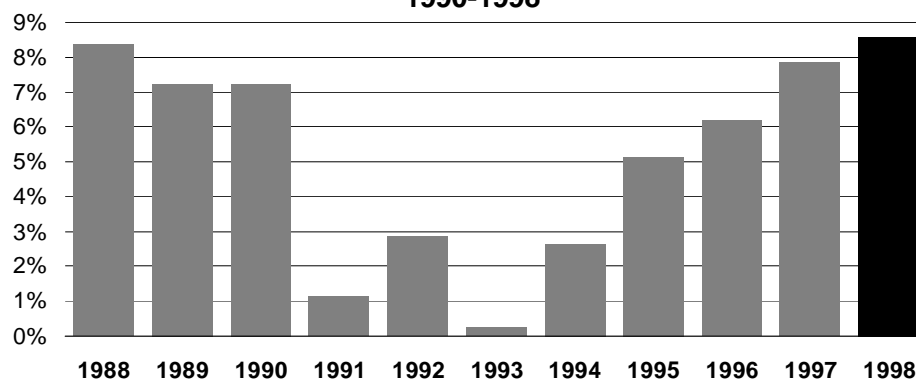
Dollars in Billions

	1997	1998	% Change
WAGES AND SALARIES	475.2	516.0	8.6%
Farm	3.6	3.7	3.3%
Mining	1.7	1.5	-10.4%
Construction	20.0	22.9	14.5%
Manufacturing	81.2	86.8	6.8%
TCU	27.2	29.1	7.1%
Trade	75.3	81.5	8.2%
Finance, Insurance, & Real Estate	37.4	43.5	16.5%
Services	142.9	157.0	9.9%
Government	81.3	84.7	4.2%
Federal Civilian	11.6	11.7	0.7%
Military	5.7	5.2	-9.4%
State and Local	64.0	67.8	6.0%
Other Industries	4.7	5.3	13.4%
OTHER LABOR INCOME	46.8	50.8	8.7%
PROPRIETORS' INCOME	85.5	94.4	10.4%
Farm	3.0	3.3	9.0%
Nonfarm	82.5	91.1	10.4%
PROPERTY INCOME	152.2	157.3	3.4%
Dividends	31.2	32.1	2.9%
Interest	89.9	92.5	2.8%
Monetary	39.9	-	-
Rent	31.1	32.8	5.5%
TRANSFER PAYMENTS	128.0	128.7	0.5%
LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE	-	-	-
SOCIAL INSURANCE	40.8	44.3	8.4%
PLUS: RESIDENCE ADJUSTMENT	(0.9)	(0.8)	-9.6%
<b>TOTAL PERSONAL INCOME</b>	<b>846.0</b>	<b>902.2</b>	<b>6.6%</b>

Source: California Department of Finance and  
U.S. Dept. of Commerce, Bureau of Economic Analysis

FIGURE FOUR

Wage and Salary Growth  
Year-Over-Year Percent Change  
1990-1998



## ECONOMIC FORECAST UPDATE

The following forecast is from the May Revision of the Governor's 1998-99 Budget and is based on information available as of April 17, 1998.

**E**conomic growth in both the U.S. and California has significantly exceeded expectations over the last six months, and as a result the outlook for 1999 has strengthened considerably from the Governor's Budget forecast. The Budget forecast—completed within weeks of the near-meltdown in world financial markets which resulted from Russia's default—had assumed an imminent deceleration in the rate of economic growth, at both the state and national levels. The May Revision still contemplates moderating growth, but the major effects of the slowdown are postponed until 2000 and 2001.

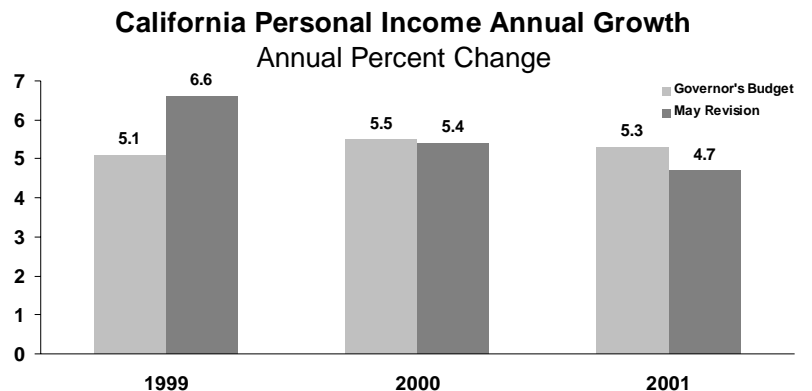
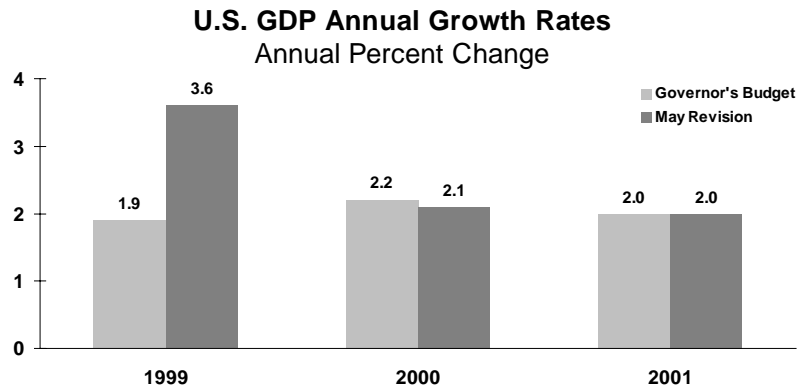
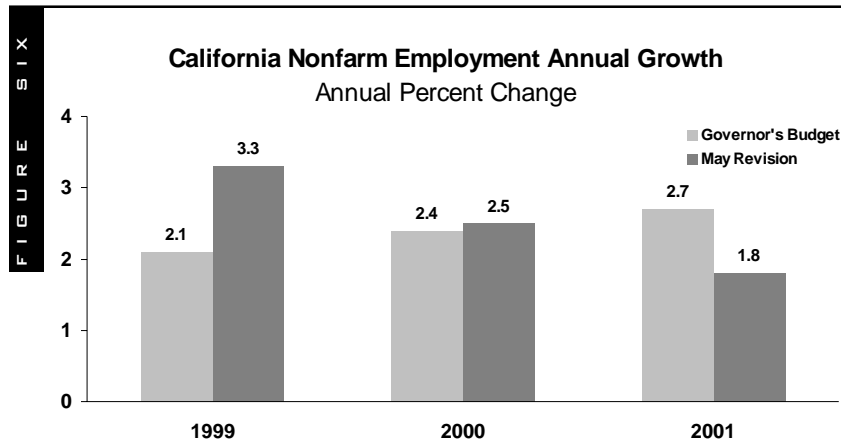
Economic forecast revisions are concentrated in 1999. Growth in 2000 is virtually the same as the Governor's Budget assumptions. Key changes in the 1999 outlook include:

⚡ U.S. real gross domestic product (GDP) is now expected to grow 3.6 percent this year, compared to the 1.9 percent rise included in the original Budget.

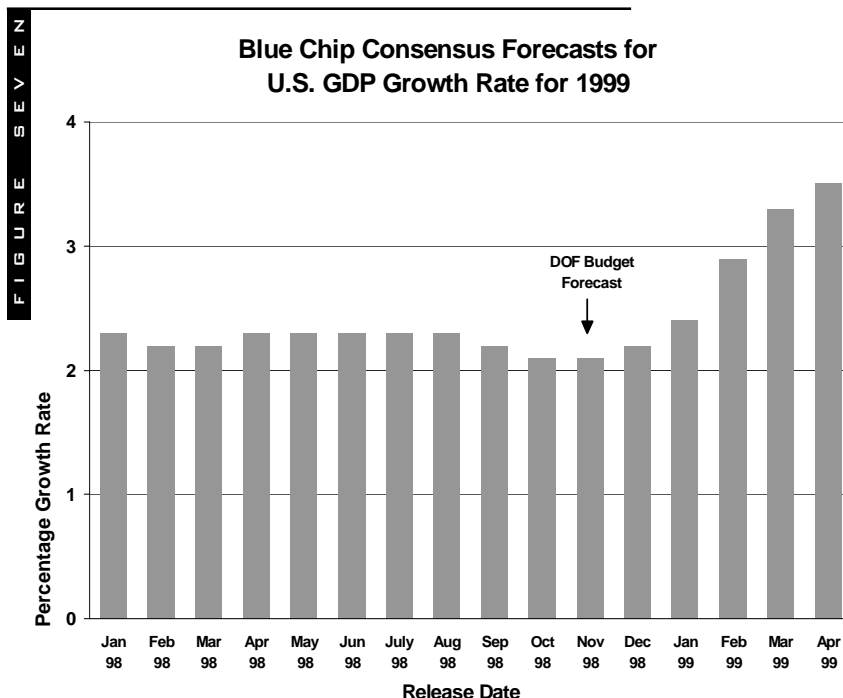
⚡ Stock prices—a major determinate of capital gains incomes in the personal income tax—have also far exceeded expectations, reaching new record highs in April and May.

⚡ California 1999 job growth is now forecast at 3.3 percent, compared to 2.1 percent in the Governor's Budget.

⚡ California personal income growth is increased to 6.6 percent this year, from the earlier forecast of a 5.1 percent gain.



**W**hen the Governor's Budget forecast was prepared last November, it was widely believed that U.S. economic growth was slowing. At that time, the recession in Asia, and virtual paralysis in world credit markets following Russia's default on its foreign debt appeared to have the potential to significantly slow the pace of economic growth. The Budget forecast was in line with the broad consensus of forecasts made at that time. For example, the November 10, 1998 Blue Chip Consensus poll of 50 economists nationwide revealed an average forecast of 2.1 percent GDP growth in 1999, fractionally above the Budget's 1.9 percent projection.

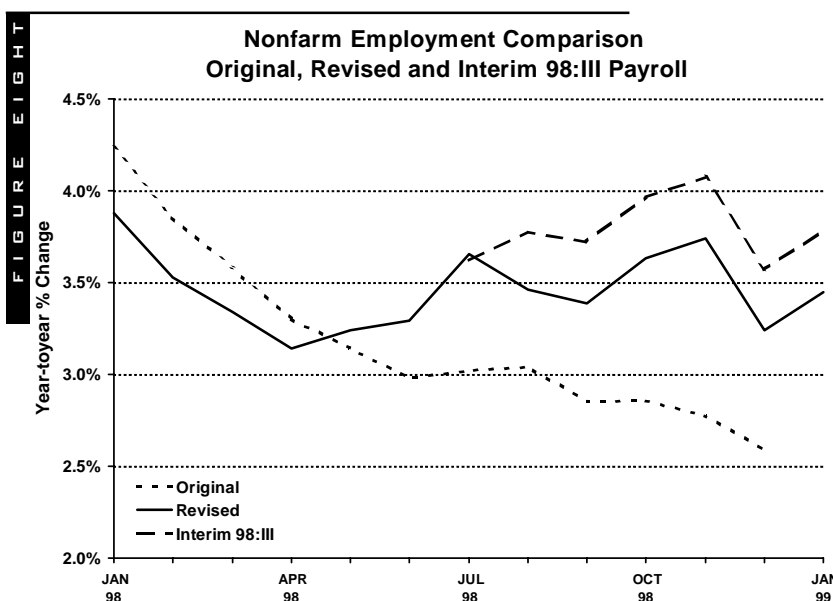


The November Blue Chip survey showed average estimates of 2.5 percent growth in the fourth quarter of 1998 and 1.8 percent in the first quarter of 1999. In fact, the economy boomed at a 6 percent annual rate in the closing months of last year, followed by a 4.5 percent leap in early 1999. As evidence of the surging economy poured in, the Blue Chip Consensus 1999 GDP forecast jumped to 3.5 percent in April, from November's 2.1 percent reading.

## CALIFORNIA REVISED

**C**alifornia is clearly benefiting from the strong national economy, but in addition, annual revisions to the state's employment figures—released in February—revealed a much stronger pattern of job growth in the second half of 1998 than was originally reported. At the time the Budget forecast was prepared, the employment data signaled a very clear slowing in job growth throughout 1998. Instead, the revised data completely eliminate the 1998 slowdown, and now indicate that job growth actually accelerated in second half of last year. Moreover, payroll tax reports for the third quarter of 1998—which were not included in the annual revision—added a further 45,000 jobs to the upwardly revised official employment data.

Very strong personal income tax wage withholding receipts over the last several months—no doubt buoyed in part by bonus and stock option activity—also suggest a more vigorous pace of job growth than currently reflected in the monthly labor market reports.



## THE U.S. D OUTLOOK

Despite the recent unexpected surge in U.S. GDP, sooner or later growth will return to a more sustainable path. Consumer spending and fixed investment—both business and housing—have been the major contributors to the recent uptick in growth. To some extent, growth in the last two quarters was boosted by unusually mild autumn and winter weather over most of the nation. Construction and consumer spending both benefited from the mild weather, but this only means that seasonal gains in the spring and summer quarters will likely be lower than normal, thus subtracting from growth.

Consumer spending has exceeded after-tax incomes in each of the last two quarters. The booming stock market is almost certainly supporting this “dissaving” behavior, as consumers feel less compelled to add to savings—and may even draw down balances to some extent—when the value of existing assets is climbing so rapidly. The sustainability of recent outsized gains in household spending will depend importantly on the continuation the unprecedented stock market boom, which pushed the Dow Jones Industrial Average up 20 percent in the first four months of 1999—an annualized gain of over 60 percent.

Underlying household income growth, meanwhile, will almost certainly be constrained by the demographics of the labor markets. With the working-age population increasing by scarcely 1 percent a year, job growth in excess of 2 percent annually is clearly not sustainable. The nation’s unemployment rate, at 4.2 percent in March, is already the lowest peacetime rate since measurement began in 1946. Some further decline in unemployment is likely, but the drop cannot be sufficient to overcome the underlying demographic forces of a slowly growing adult population. Figure 9

Outside California, new home construction is also running far ahead of underlying demographic demand—the same slowly growing adult population that affects the labor markets. Despite favorable mortgage interest rates, further gains in new housing will be increasingly difficult to achieve.

Growth in business investment spending has been dominated by purchases of computers and related equipment. In most areas of the country—again, parts of California are notable exceptions—demand

for nonresidential buildings has begun to wane. Indeed, in the first quarter, nonresidential construction actually declined by a small fraction. Gains in computer purchases reflect sharply lower prices and investments associated with final preparations to correct possible Year 2000 problems. It is expected that this spending will taper off as the year unfolds.

The foreign sector continues to subtract from U.S. economic growth, and the nation’s trade deficit is almost certain to widen further over the next year or more. While there are some positive signs of stabilization and, in some cases, even recovery in overseas economies, the strong dollar continues to favor imports over exports.

### Selected U.S. Economic Indicators

	1998	Forecast	
		1999	2000
Real gross domestic product, (1992 dollar) (Percent change)	3.9	3.6	2.1
Personal consumption expenditures	4.9	3.9	2.7
Gross private domestic investment	10.3	8.3	0.0
Government purchases of goods and services	0.9	2.7	1.9
GDP deflator (1992=100) (Percent change)	1.0	1.0	1.5
GDP, (Current dollar) (Percent change)	4.9	4.7	3.6
Federal funds rate (Percent)	5.35	4.80	5.00
Personal income (Percent change)	5.0	4.9	4.7
Corporate profits before taxes (Percent change)	-2.3	-0.3	-3.4
Nonfarm wage and salary employment (Millions)	125.8	128.5	130.8
(Percent change)	2.6	2.1	1.8
Unemployment rate (Percent)	4.5	4.3	4.4
Housing starts (Millions)	1.62	1.63	1.51
(Percent change)	10.0	0.2	-7.3
New car sales (Millions)	8.2	8.0	7.8
(Percent change)	0.2	-2.6	-2.1
Consumer price index (1982-84=100)	163.1	166.4	170.5
(Percent change)	1.6	2.0	2.4

Forecast based on data available as of April 19, 1999.  
Percent changes calculated from unrounded data.



These fundamental forces all point to a moderation of economic growth in the near future. Following this year's 3.6 percent advance—the fourth in a row above 3 percent—the forecast is for slowing to about 2 percent in 2000 and 2001. Highlights of the U.S. forecast are in Figure 9.

## THE CALIFORNIA OUTLOOK

A number of cross currents are affecting the California economy in 1999. Several key export industries—electronics and aerospace manufacturing, agriculture, apparel manufacturing, and motion picture production—are struggling, due in part to persistent weakness in foreign demand and accompanying downward pressure on prices. On the plus side, demand for high technology services—computer software, Internet applications, biotechnology and other engineering and management consulting—remains vigorous.

In addition, construction activity continues to surge, with an upturn in homebuilding adding to an already healthy picture in the nonresidential segment. The housing recovery, in turn, is boosting activity in several related manufacturing industries such as lumber, stone-clay-glass, fabricated metals, and furniture. The strong market for both new and existing homes is also boosting activity in the financial services industries, although employment in depository institutions (banks and thrifts) continues to decline in the wake of major mergers and consolidations in that segment. With the mix of job growth slanted toward high wage technology services, and given the popularity of stock options throughout the technology sector, wage growth appears far more robust than the employment data would suggest. With job growth projected at 3.3 percent this year, wages and salaries are forecast to rise over 9 percent, with total incomes advancing by 6.6 percent. This view is based in part on extremely strong personal income tax wage withholding receipts, which jumped over 14 percent in the first quarter compared to the similar 1998 period. Beyond 1999, the signals are mixed. A gradual turnaround in overseas economies should help prospects in several export-oriented manufacturing industries. At the same time, once the Year 2000 computer problems are addressed, demand for computer services could stabilize. The expected slowing of the national economy—still California's biggest "export" market—will also have an impact on growth next year.

Job growth next year is expected to ease to 2.5 percent from 3.3 percent in 1999. Income gains are projected at 5.4 percent, compared to 6.6 percent this year. Construction activity should continue to advance, although the rate of increase will also slow from this year's anticipated pace. The California forecast is summarized in Figure 10.

### Selected California Economic Indicators

	1998	Percent Change	Forecast			
			1999	Percent Change	2000	Percent Change
Personal income (\$ bill.)	\$902.0	6.6%	\$961.6	6.6%	\$1,013.4	5.4%
Nonfarm W&S employment (thous.)	13,603	3.6%	14,046	3.3%	14,393	2.5%
Mining	25	-12.5%	24	-6.7%	23	-4.5%
Construction	607	10.3%	670	10.4%	715	6.6%
Manufacturing	1,957	2.2%	1,965	0.4%	1,972	0.4%
High Technology	535	2.8%	524	-2.2%	514	-1.8%
Transportation/utilities	695	4.7%	715	2.8%	720	0.8%
Whlse & retail trade	3,128	2.6%	3,204	2.4%	3,275	2.2%
Finance group	800	5.5%	820	2.5%	828	1.0%
Services	4,226	5.0%	4,428	4.8%	4,592	3.7%
Government	2,164	1.1%	2,220	2.6%	2,269	2.2%
Unemployment rate	5.9%	--	5.6%	--	5.4%	--
Housing permits (thous.)	125.0	12.8%	160.0	27.3%	174.0	9.0%
Consumer price index	163.7	2.0%	168.3	2.8%	172.9	2.7%

Forecast based on data available as of April 19, 1999.  
Percent changes calculated from unrounded data.

## Sources of Statistical Series

	CALIFORNIA DATA SOURCE	NATIONAL DATA SOURCE
<b>Employment</b>	CA Employment Development Dept. Labor Market Information Division Phone: (916) 262-2162 <a href="http://www.calmis.cahwnet.gov/">http://www.calmis.cahwnet.gov/</a>	U.S. Department of Commerce Bureau of Labor Statistics Phone: (202) 606-6555 <a href="http://stats.bls.gov/">http://stats.bls.gov/</a>
Civilian employment Unemployment Unemployment rate Wage and salary employment Hours and earnings		
Unemployment insurance, initial claims and average weeks claimed	Unemployment Insurance Division Phone: (916) 654-9906 <a href="http://www.calmis.cahwnet.gov/">http://www.calmis.cahwnet.gov/</a>	
<b>Personal income</b>	CA Department of Finance Economic Research Phone: (916) 322-2263 <a href="http://www.dof.ca.gov/">http://www.dof.ca.gov/</a>	U.S. Department of Commerce Bureau of Economic Analysis Phone: (202) 606-5360 <a href="http://www.bea.doc.gov/">http://www.bea.doc.gov/</a>
Wages and salaries		
<b>Consumer price index</b>	CA Department of Industrial Relations Division of Labor Statistics and Research Phone: (415) 972-8620 <a href="http://www.dir.ca.gov/">http://www.dir.ca.gov/</a>	U.S. Department of Commerce Bureau of Labor Statistics Phone: (415) 975-4350 <a href="http://stats.bls.gov/">http://stats.bls.gov/</a>
California		
San Francisco CMSA Los Angeles CMSA	U.S. Department of Commerce Bureau of Labor Statistics Phone: (415) 975-4350 <a href="http://stats.bls.gov/">http://stats.bls.gov/</a>	
<b>New auto registrations</b>	CA Department of Motor Vehicles Phone: (916) 657-8008 <a href="http://www.dmv.ca.gov/">http://www.dmv.ca.gov/</a>	U.S. Department of Commerce Bureau of Economic Analysis Phone: (202) 606-5360 <a href="http://www.bea.doc.gov/">http://www.bea.doc.gov/</a>
<b>New business incorporations</b>	CA Secretary of State Phone: (916) 653-5233 <a href="http://www.ss.ca.gov/">http://www.ss.ca.gov/</a>	The Conference Board <a href="http://www.crc-conquest.org/">http://www.crc-conquest.org/</a>
<b>Median price of existing single family homes</b>	CA Association of Realtors Phone: (213) 739-8200 <a href="http://www.car.org/">http://www.car.org/</a>	National Association of Realtors <a href="http://nar.realtor.com/">http://nar.realtor.com/</a>
<b>Nonresidential vacancy rates</b>	CB Richard Ellis <a href="http://www.cbrichardellis.com/">http://www.cbrichardellis.com/</a>	CB Richard Ellis
<b>Construction data</b>	Construction Industry Research Board Phone: (818) 841-8210	U.S. Department of Commerce Bureau of the Census Phone: (301) 457-3030 <a href="http://www.census.gov/">http://www.census.gov/</a>
<b>Prime defense contracts</b>	U.S. Department of Defense Directorate for Information Operations and Reports <a href="http://web1.whs.osd.mil/diorhome.htm">http://web1.whs.osd.mil/diorhome.htm</a>	U.S. Department of Defense Directorate for Information Operations and Reports
<b>Taxable sales</b>	CA State Board of Equalization Statistics Section Phone: (916) 445-0840 <a href="http://www.boe.ca.gov/tsalescont.htm">http://www.boe.ca.gov/tsalescont.htm</a>	
<b>Foreign trade through ports</b>	U.S. Department of Commerce Bureau of the Census Foreign Trade Division Phone: (301) 457-3041 <a href="http://www.census.gov/">http://www.census.gov/</a>	U.S. Department of Commerce Bureau of the Census Foreign Trade Division Phone: (301) 457-3041



## Reference Dates of United States Business Cycles 1854 - 1991

<u>Initial Trough</u>		<u>Peak</u>		<u>Terminal Trough</u>		<u>Expansion</u> (months)	<u>Contraction</u> (months)	<u>Total</u> (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100

# SELECT INDICATORS

# ECONOMIC INDICATOR TABLES

## EMPLOYMENT

### EMPLOYMENT (Seasonally Adjusted)

Civilian employment (000)	15,648	15,602	15,569	15,522	15,329	2.1
Unemployment (000)	866	944	964	926	970	-10.7
Unemployment rate	5.2	5.7	5.8	5.6	6.0	--
Nonagricultural wage and salary employment (000)	13,938.2	13,881.7	13,852.4	13,833.8	13,525.6	3.1
Mining	23.6	23.8	23.7	24.1	25.6	-7.8
Construction	650.0	636.6	631.5	632.1	591.8	9.8
Manufacturing	1,951.8	1,950.0	1,948.9	1,952.9	1,963.3	-0.6
High technology a/	514.0	515.7	518.2	520.3	537.1	-4.3
Aircraft and parts	83.6	84.0	84.7	85.6	89.5	-6.6
Missiles and space vehicles	22.9	23.1	23.2	23.5	25.3	-9.5
Search and navigation equipmen	55.0	55.3	55.5	55.9	57.6	-4.5
Computer and office equipment	89.7	90.1	90.6	91.4	94.6	-5.2
Communications equipment	36.4	36.6	36.8	36.6	37.3	-2.4
Electronic components	156.2	156.5	156.9	156.7	161.7	-3.4
Measuring and controlling device:	70.2	70.1	70.5	70.6	71.1	-1.3
Transportation and public utilities	712.0	710.2	707.5	706.9	694.8	2.5
Trade	3,162.8	3,154.4	3,157.4	3,153.5	3,112.0	1.6
Finance, insurance and real estate	811.9	811.2	808.0	808.7	795.4	2.1
Services	4,405.6	4,379.9	4,366.3	4,352.0	4,187.3	5.2
Government	2,220.5	2,215.6	2,209.1	2,203.6	2,155.4	3.0

## HOURS & EARNINGS

### HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	41.9	41.6	41.9	41.6	41.6	0.7
Average weekly earnings	\$582.41	\$576.16	\$580.32	\$576.99	\$564.93	3.1
Average hourly earnings	\$13.90	\$13.85	\$13.85	\$13.87	\$13.58	2.4

1999				1998	Yr-Over-Yr
Apr	Mar	Feb	Jan	Apr	% Change

### CONSUMER PRICE INDEX (1982-84=100) Not seasonally adjusted

All Urban Consumers Series						
California Average	168.8	n.a.	166.5	n.a.	163.1	3.5
San Francisco CMSA	172.2	n.a.	169.4	n.a.	164.6	4.6
Los Angeles CMSA	166.6	165.0	164.6	164.2	161.8	3.0
Urban Wage Earners and Clerical Workers Series						
California Average	162.6	n.a.	160.2	n.a.	157.0	3.6
San Francisco CMSA	168.8	n.a.	165.7	n.a.	160.8	5.0
Los Angeles CMSA	160.1	158.3	158.1	157.8	155.6	2.9

						Yr-Over-Yr % Change
--	--	--	--	--	--	------------------------

### CONSTRUCTION

Private residential housing units authorized (000) b/	128.8	122.8	143.5	160.4	116.1	10.9
Single units	98.9	95.0	107.0	107.2	90.9	8.7
Multiple units	29.9	27.8	36.5	53.2	25.2	18.8
Residential building authorized valuation (millions) c/	\$1,959	\$2,114	\$2,123	\$2,190	\$1,716	14.2
Nonresidential building authorized valuation (millions) c/	\$1,033	\$1,465	\$1,345	\$1,284	\$1,197	-13.7
Nonresidential building authorized valuation (millions) d/	\$1,135	\$1,532	\$1,116	\$1,050	\$1,309	-13.3
Commercial	375	476	371	300	458	-18.1
Industrial	122	211	154	168	248	-51.0
Other	164	324	166	172	136	21.2
Alterations and additions	474	521	426	409	467	1.5

	1999			1998		
	<u>Mar</u>	<u>Feb</u>	<u>Jan</u>	<u>Dec</u>	<u>Mar</u>	
<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	131.924	128.279	130.926	124.812	120.567	9.4

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

**SELECT  
INDICATORS  
(CONTINUED)**

**VACANCY RATES**

**Vacancy Rates for March 1999  
(Percent)**

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Fresno	14.4	30.5	11.4	9.8
Oakland-East Bay	7.8	13.4	6.3	--
Sacramento	9.0	6.9	9.7	5.4
San Francisco	5.9	4.7	7.2	4.4
San Jose	3.2	3.0	3.3	--
Southern California:				
Bakersfield	9.7	11.2	8.7	--
Los Angeles	13.4	16.0	12.8	4.3
Orange County	9.6	--	9.6	--
San Diego	7.8	12.1	6.6	6.2
Ventura County	9.8	--	9.8	--
National Average	9.7	9.3	10.0	5.8

**HOME PRICES**

**Median Price of Existing Single Family Homes**

1998				1999	
Jan	\$188,090	Jul	211,600	Jan	\$203,890
Feb	183,900	Aug	209,890	Feb	198,060
Mar	193,910	Sep	204,440	Mar	212,330
Apr	201,510	Oct	197,230	Apr	217,085
May	204,620	Nov	199,920		
Jun	209,760	Dec	198,120		

**LEADING  
INDICATORS/A**

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.7	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.8	42.2	51,629	4,899	160.4
	Feb	4.7	41.9	53,117	5,023	143.5
	Mar	4.6	41.9	53,132	6,068	122.8
	Apr	4.7	41.9	53,377	5,371	128.8
	May	4.8	42.2	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

# COINCIDENT INDICATORS/<sup>a</sup>

## EMPLOYMENT, UNEMPLOYMENT

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,875	6.7	449
	Feb	12,966	1,886	6.5	410
	Mar	13,013	1,893	6.4	378
	Apr	13,074	1,900	6.4	399
	May	13,090	1,905	6.3	371
	Jun	13,123	1,913	6.3	384
	Jul	13,158	1,921	6.2	396
	Aug	13,176	1,925	6.2	375
	Sep	13,222	1,928	6.2	385
	Oct	13,261	1,936	6.2	383
	Nov	13,274	1,940	6.1	372
	Dec	13,337	1,949	6.1	381
1998	Jan	13,405	1,951	6.0	342
	Feb	13,425	1,956	6.0	362
	Mar	13,449	1,958	6.0	369
	Apr	13,487	1,959	5.9	369
	May	13,526	1,963	6.0	360
	Jun	13,555	1,964	5.9	359
	Jul	13,606	1,964	5.9	349
	Aug	13,648	1,965	5.9	358
	Sep	13,680	1,966	6.0	358
	Oct	13,717	1,966	5.9	329
	Nov	13,749	1,961	5.9	351
	Dec	13,783	1,960	5.9	351
1999	Jan	13,828	1,959	5.8	362
	Feb	13,834	1,953	5.6	367
	Mar	13,852	1,949	5.8	377
	Apr	13,882	1,950	5.7	365
	May	13,938	1,952	5.2	n.a.

## INCOME, WAGES, TAXABLE SALES

(Dollars in Millions)										
Wages & Salaries from Mining, Construction & Manufacturing					Wages & Salaries from Mining, Construction & Manufacturing					
		Personal Income		Taxable Sales			Personal Income		Taxable Sales	
1995	Qtr I	737,678		72,835	1997	Qtr I	826,792		83,110	
	Qtr II	752,820		74,952		Qtr II	836,688		84,808	
	Qtr III	760,687		75,993		Qtr III	849,492		86,057	
	Qtr IV	765,892		76,923		Qtr IV	871,098		87,779	
1996	Qtr I	786,401		79,238	1998	Qtr I	881,347		87,601	
	Qtr II	791,576		80,106		Qtr II	892,438		89,635	
	Qtr III	795,922		80,398		Qtr III	906,099		90,695	
	Qtr IV	818,180		81,225		Qtr IV	940,674		91,596	
						1999	Qtr I	951,731		n.a.

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

## OTHER INDICATORS

DOD Prime Contracts a/							
Dollars in			Percent	Dollars in			Percent
	Millions	of U.S.			Millions	of U.S.	
1981-82	22,685	21.8		1990-91	24,265	19.5	
1982-83	26,387	22.2		1991-92	23,843	21.2	
1983-84	28,520	23.0		1992-93	22,952	20.1	
1984-85	29,115	20.8		1993-94	22,573	20.5	
1985-86	27,738	20.4		1994-95	18,277	16.8	
1986-87	24,515	18.4		1995-96	18,230	16.7	
1987-88	23,458	18.7		1996-97	18,477	17.3	
1988-89	23,125	19.3		1997-98	17,401	15.9	
1989-90	22,312	18.4					

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports			
	Dollars in		
	Millions	1999	Millions
1998			
Jan	24,636	Jan	23,484
Feb	23,778	Feb	23,751
Mar	26,921	Mar	26,988
Apr	25,220		
May	24,566		
Jun	26,028		
Jul	25,158		
Aug	25,358		
Sep	25,710		
Oct	27,217		
Nov	26,044		
Dec	25,610		

## TECHNICAL NOTE

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

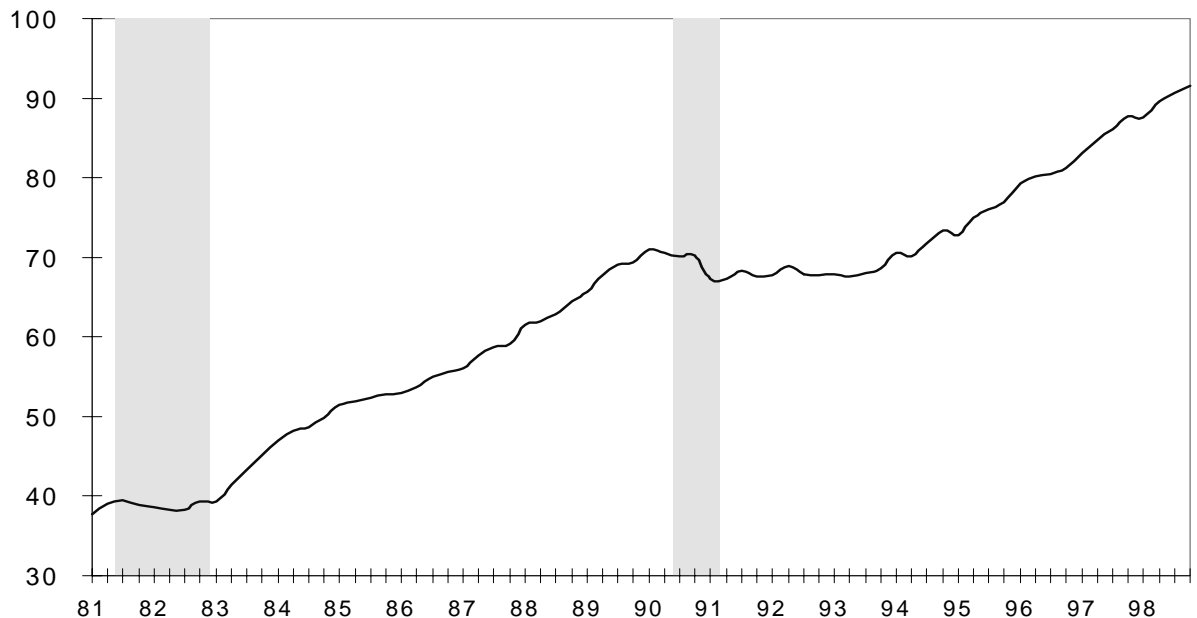
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

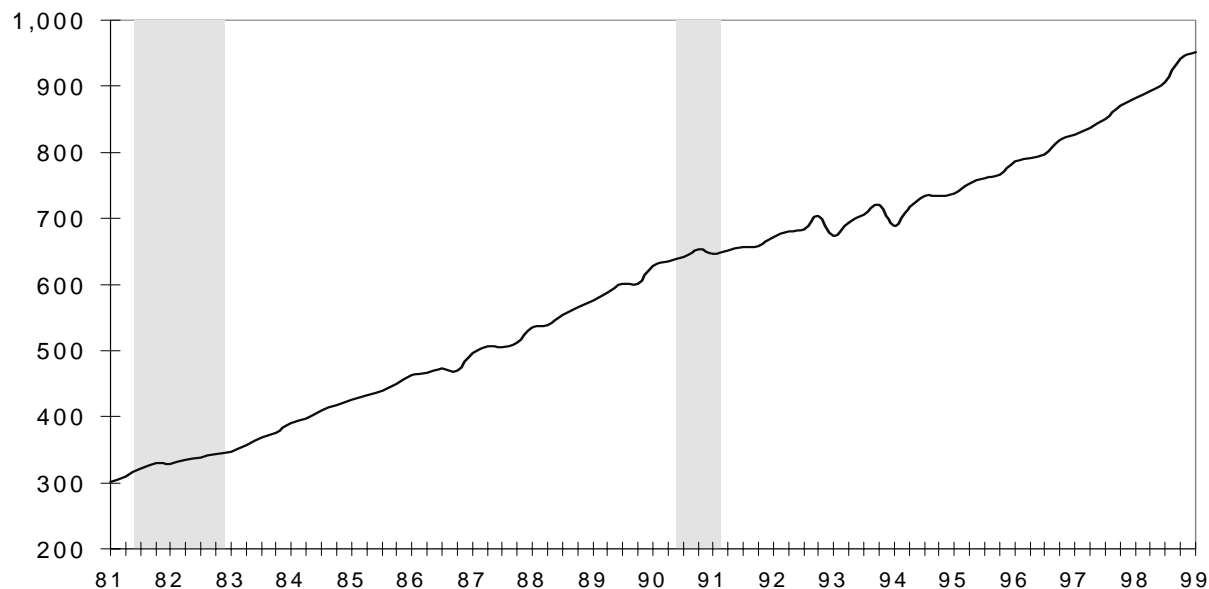
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

## TAXABLE SALES (DOLLARS IN BILLIONS SEASONALLY ADJUSTED)

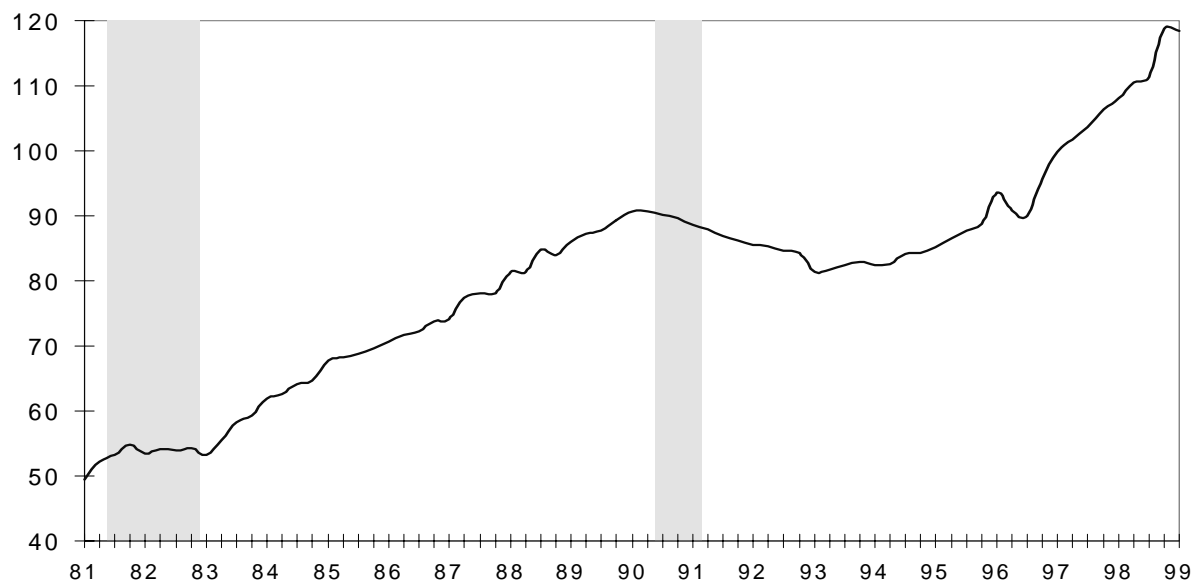


**PERSONAL INCOME**  
(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)

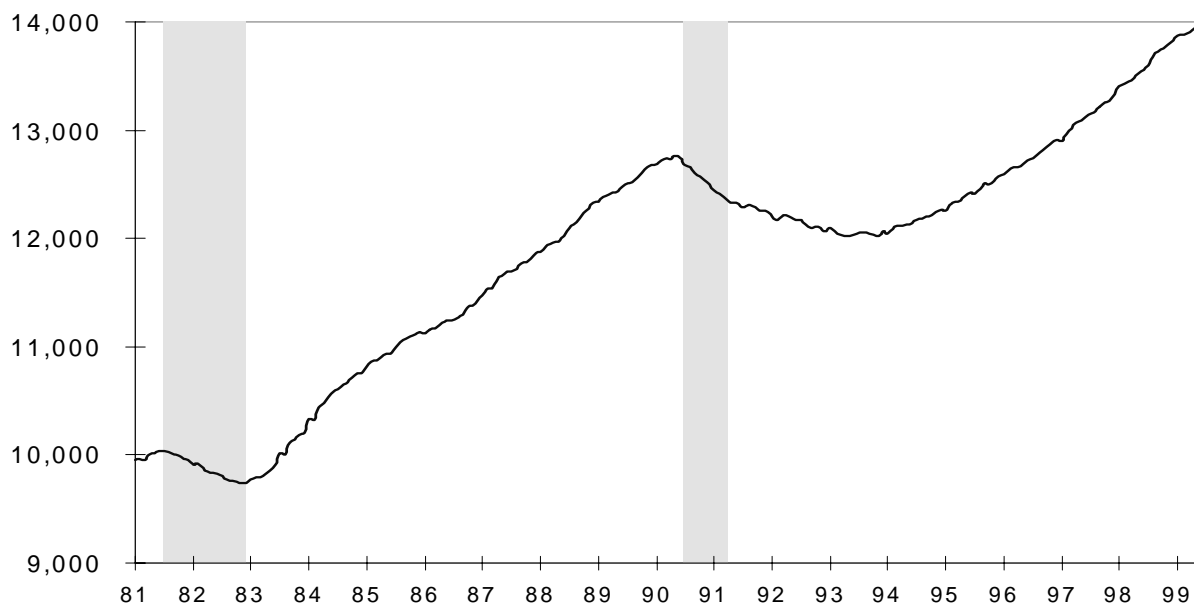
**PERSONAL INCOME,**  
(\$ Billions, Seasonally Adjusted)



**WAGES AND SALARIES IN MINING,  
CONSTRUCTION AND  
MANUFACTURING**  
(DOLLARS IN BILLIONS,  
SEASONALLY ADJUSTED)



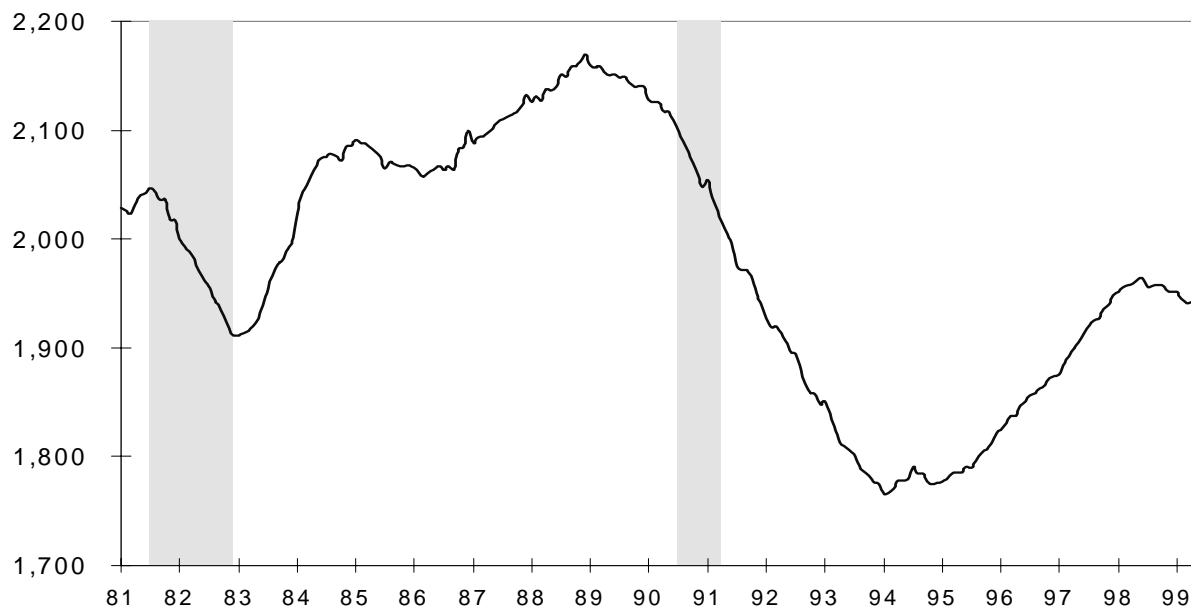
**NONAGRICULTURAL  
EMPLOYMENT**  
(THOUSANDS,  
SEASONALLY ADJUSTED)





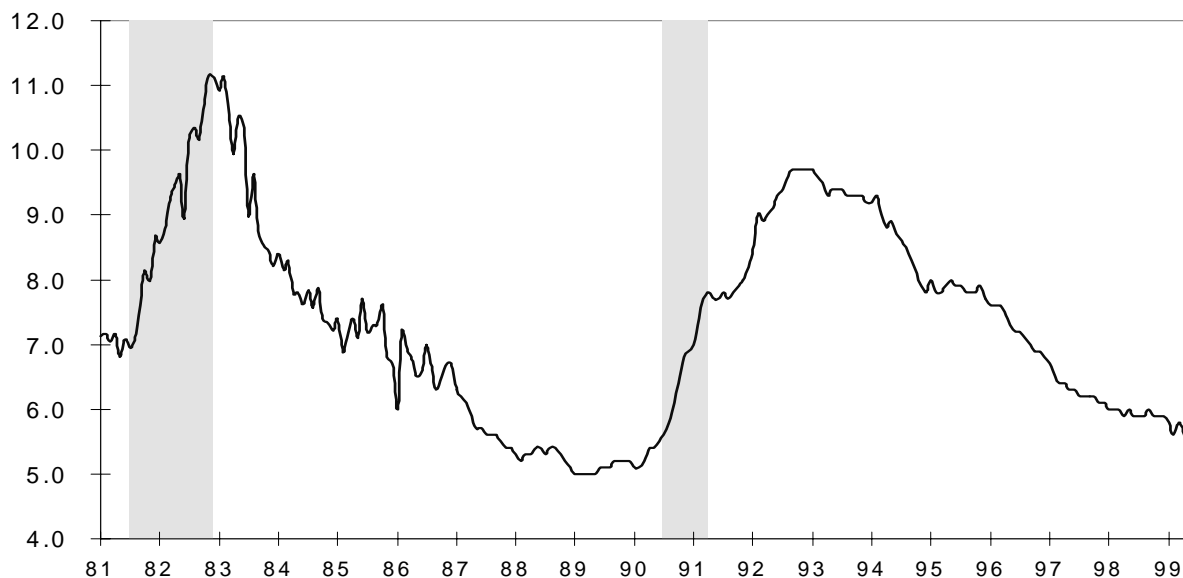
# MANUFACTURING EMPLOYMENT

(THOUSANDS, SEASONALLY  
ADJUSTED)



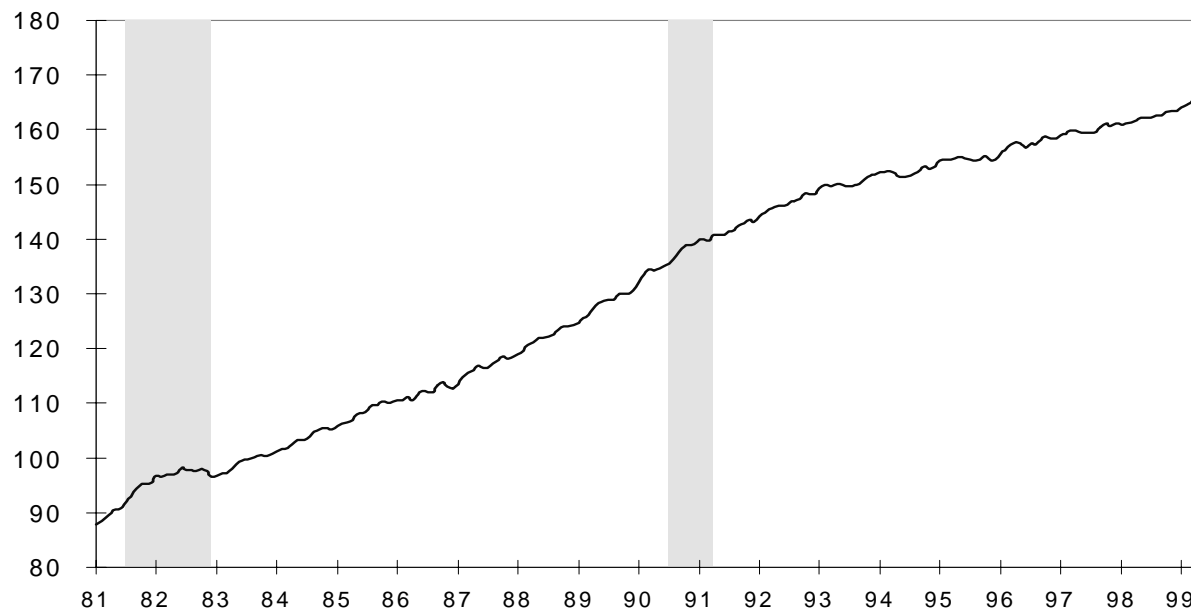
# UNEMPLOYMENT RATE

(PERCENT)



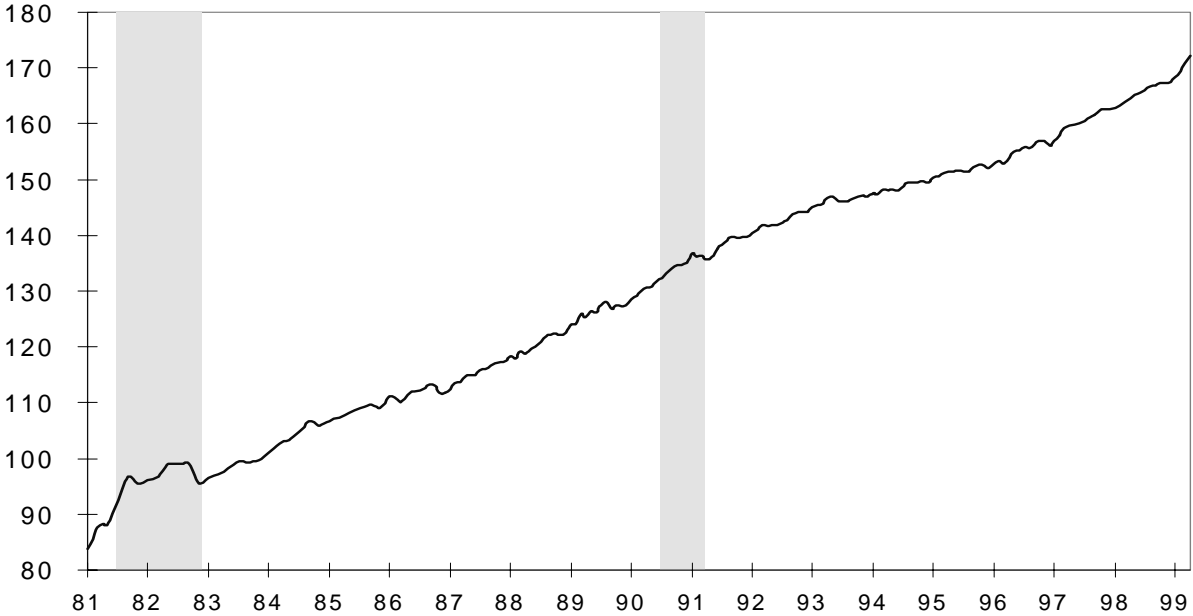
# CONSUMER PRICE INDEX, LOS ANGELES

(1982-84=100)



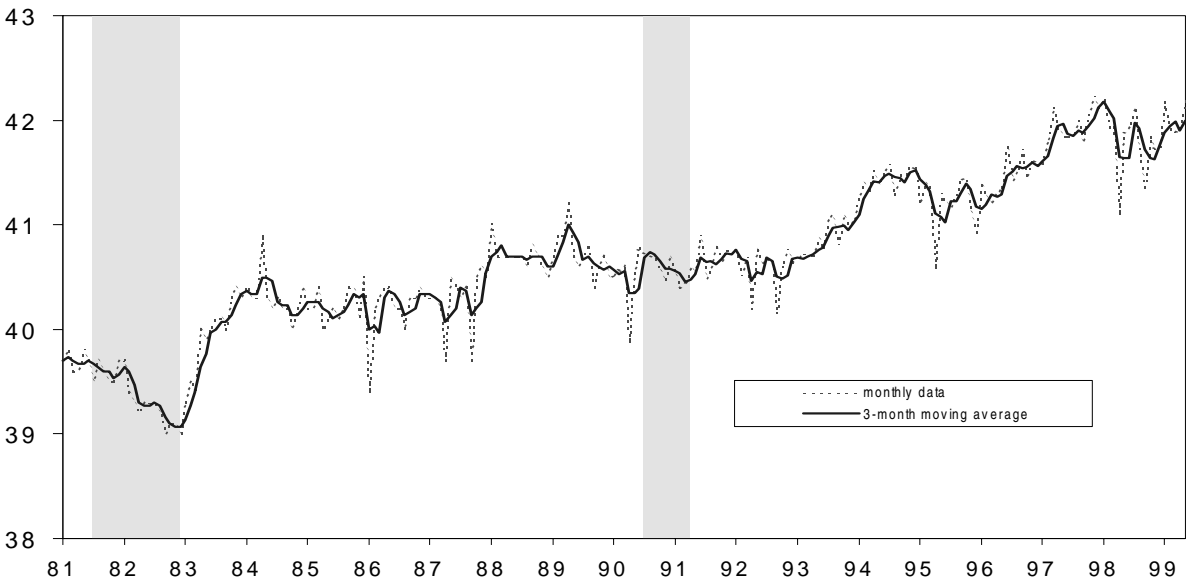
CONSUMER PRICE INDEX,  
SAN FRANCISCO  
(1982-84=100)

— . . . —



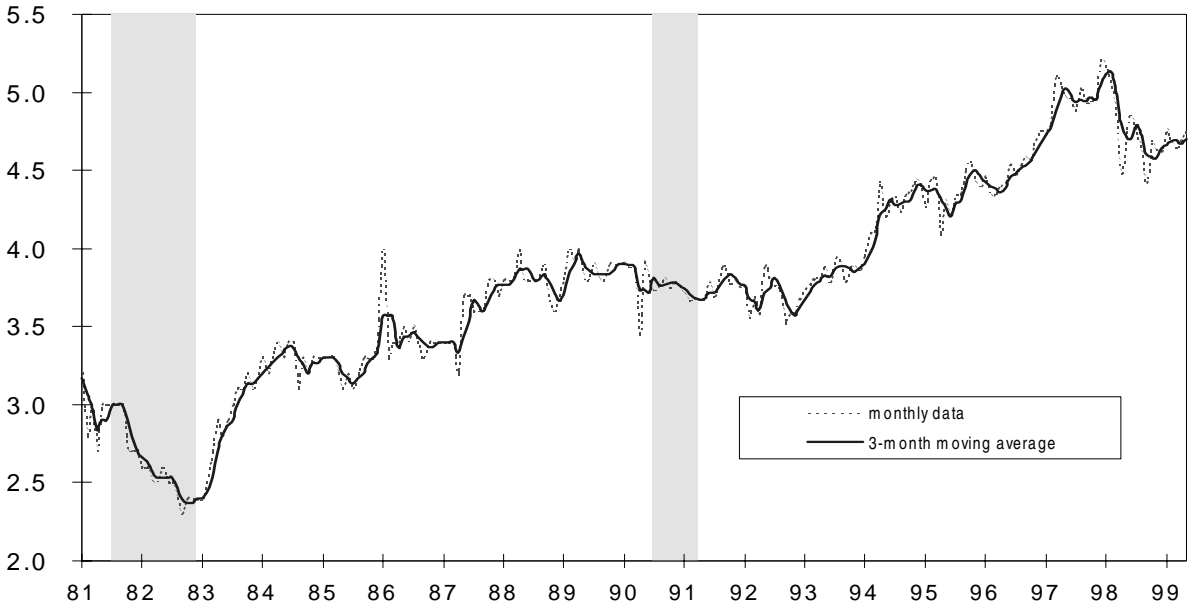
AVERAGE WEEKLY HOURS,  
MANUFACTURING  
(SEASONALLY ADJUSTED)

— . . . —

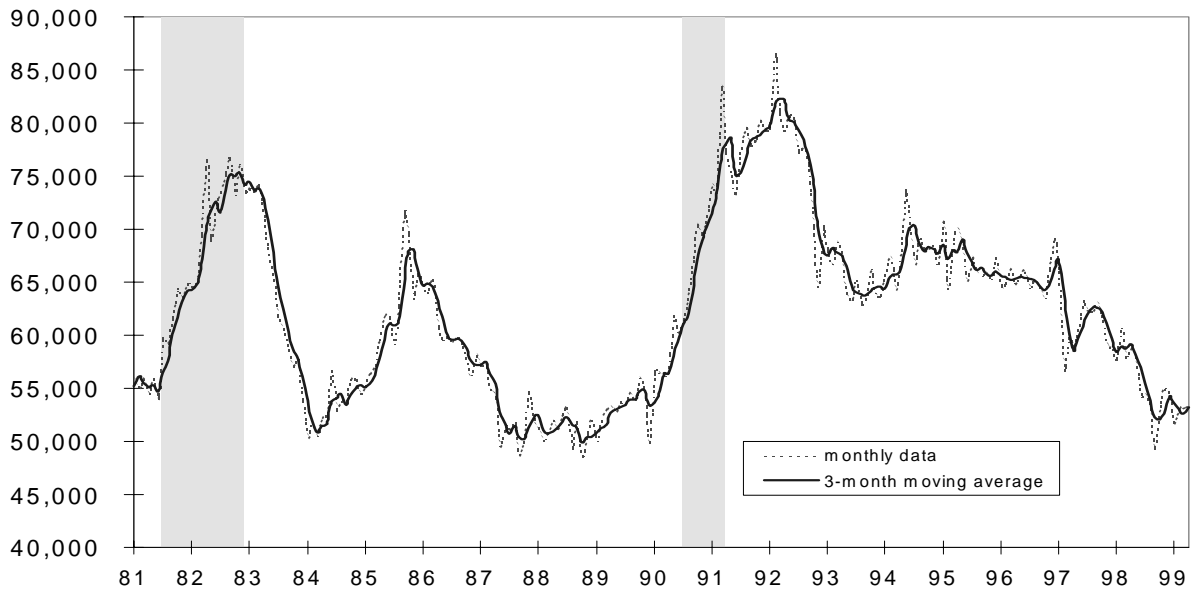


AVERAGE OVERTIME HOURS,  
MANUFACTURING  
(SEASONALLY ADJUSTED)

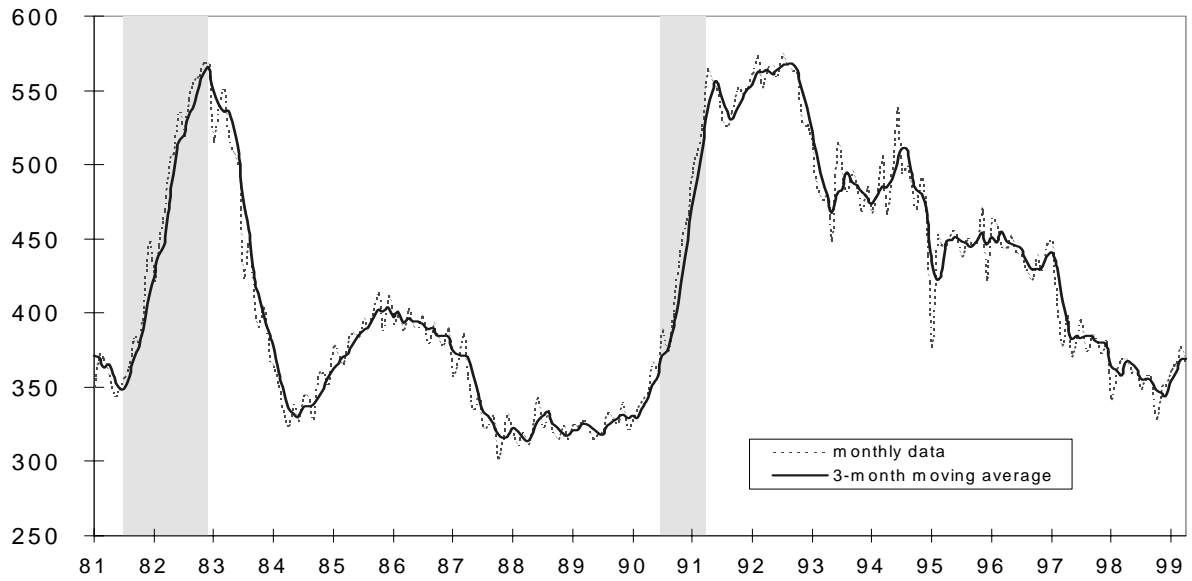
— . . . —



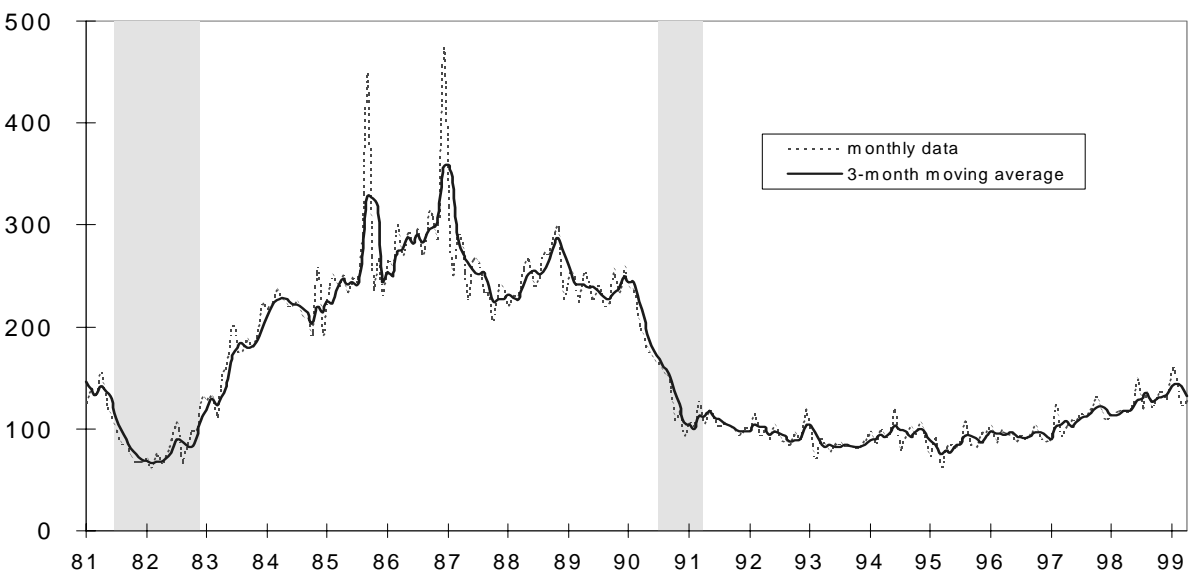
**INITIAL AND  
TRANSITIONAL CLAIMS  
FOR UNEMPLOYMENT  
INSURANCE**  
(WEEKLY AVERAGE IN  
THOUSANDS, SEASONALLY  
ADJUSTED)



**INSURED  
UNEMPLOYMENT,  
AVERAGE WEEKS  
CLAIMED**  
(THOUSANDS, SEASONALLY  
ADJUSTED)



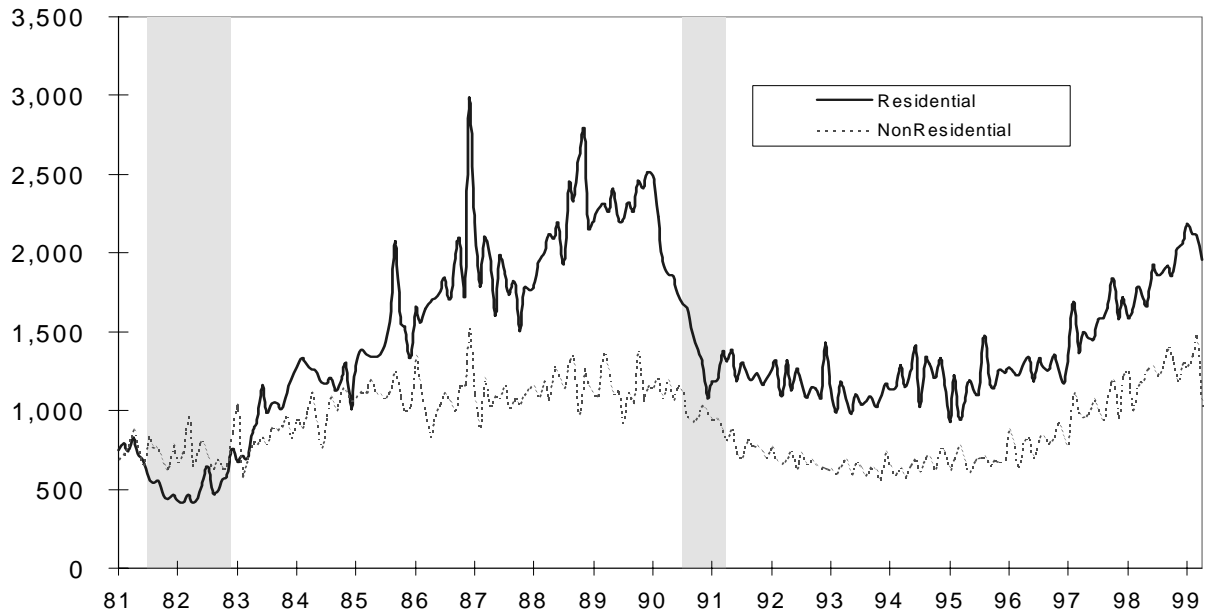
**NEW HOUSING  
UNITS AUTHORIZED  
BY BUILDING  
PERMITS**  
(THOUSANDS, SEASONALLY  
ADJUSTED AT ANNUAL RATE)



## RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION

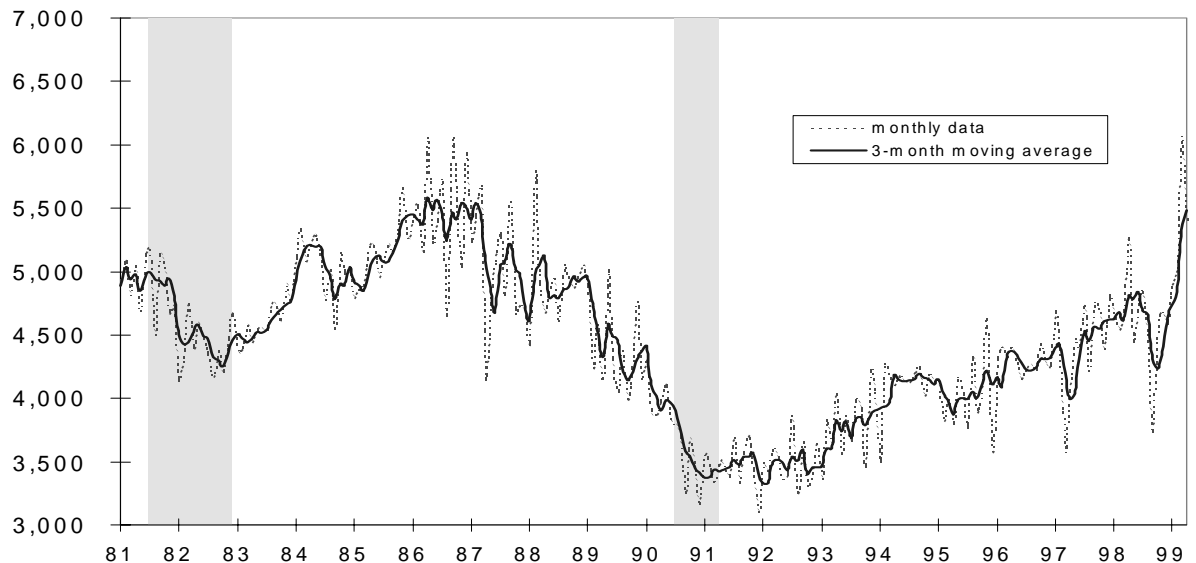
(DOLLARS IN MILLIONS,  
SEASONALLY ADJUSTED)

— . . . —



## NEW BUSINESS INCORPORATIONS (SEASONALLY ADJUSTED)

— . . . —



## CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

January 5

February 2

February 27

March 1

Winter

Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.

Standard and Poor's stock index passed the 1000 milestone for the first time.

Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.

California's minimum wage raised from \$5.15 to \$5.75.

El Nino-fueled storms caused widespread flooding and landslides in California.

Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.

## CHRONOLOGY

...CONTINUED

<b>March 19</b>	The U.S. trade deficit for January widened to its worst level in six years.
<b>March 20</b>	Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.
<b>March 24</b>	Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.
<b>March 30</b>	OPEC agreed to cut crude-oil production by 1.25 million barrels a day.
<b>April 6</b>	Dow Jones Industrial average topped the 9000 mark.
<b>April 8</b>	Tornadoes swept the South causing death and significant property damage.
<b>April 13</b>	NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.
<b>April 14</b>	Intel announced that it will eliminate up to 3,000 jobs over the next six months.
<b>April 22</b>	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
<b>May 6</b>	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
<b>June 4</b>	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
<b>June 5-July 28</b>	United Auto Workers strike at General Motors.
<b>June 8</b>	Wells Fargo & Co. and Norwest agreed to merge.
<b>June 12</b>	California's unemployment rate fell in May to its lowest level in nearly 8 years.
<b>June 18</b>	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
<b>June 24</b>	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
<b>June 26</b>	El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
<b>June</b>	Japan officially declares a recession.
<b>June 29</b>	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
<b>July 10</b>	IMF agreed to provide Russia with an assistance package worth \$14 billion.
<b>July 16</b>	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
<b>August 13</b>	Boeing to transfer selected 737 assembly processes to Long Beach, California.
<b>August 14</b>	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
<b>August 17</b>	Golden State Bancorp and California Federal Bank agreed to merge.
<b>August 31</b>	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
<b>September 2</b>	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
<b>September 15</b>	Rockwell International Corp. to eliminate around 900 jobs.
<b>September 17</b>	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
<b>September 21</b>	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
<b>September 29</b>	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
<b>October 2</b>	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
<b>October 6</b>	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
<b>October 7</b>	Raytheon Co. to cut workforce by 14,000.
<b>October 8</b>	Packard Bell NEC to cut U.S. workforce by 20 percent.
<b>October 12</b>	Merrill Lynch will cut work force by 3,400 or 5 percent.
<b>October 15</b>	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.

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## CHRONOLOGY

...CONTINUED

- October 30** Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
- November 12** Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.
- November 17** Federal funds rate reduced from 5.00 to 4.75 percent.  
Discount rate reduced from 4.75 to 4.50 percent.
- December 1** Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
- December 2** NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
- December 9** MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce.  
Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.

### 1999

- January 1** A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
- January 13** Brazil devalues its currency sending U.S. stocks into a free fall.
- January 21** The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
- March 22** OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
- March 29** Dow Jones Industrial average topped the 10,000 mark.
- April 9** The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.